

**EMBARGOED UNTIL DELIVERY**

**STATEMENT OF**

**SANDRA L. THOMPSON  
DIRECTOR  
DIVISION OF SUPERVISION AND CONSUMER PROTECTION  
FEDERAL DEPOSIT INSURANCE CORPORATION**

**on**

**THE FINANCIAL CONSUMER HOTLINE ACT OF 2007: PROVIDING  
CONSUMERS WITH EASY ACCESS TO THE APPROPRIATE BANKING  
REGULATOR**

**before the**

**SUBCOMMITTEE ON FINANCIAL INSTITUTIONS  
AND CONSUMER CREDIT**

**of the**

**FINANCIAL SERVICES COMMITTEE  
U.S. HOUSE OF REPRESENTATIVES**

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Chair Maloney, Ranking Member Biggert and members of the Subcommittee, I appreciate the opportunity to testify on behalf of the Federal Deposit Insurance Corporation (FDIC) regarding proposed initiatives to make it easier for consumers to contact regulatory agencies with complaints or inquiries about financial institutions.

The FDIC recognizes the importance of ensuring consumers have an effective method for raising complaints about financial institutions and inquiries about other banking matters. In addition to the need for consumers to have their concerns promptly and thoroughly addressed, from the regulator standpoint, consumer complaints and inquiries often provide insight into problems in individual insured financial institutions and developing industry issues. Thus, it is to everyone's benefit that we make it as easy as possible for consumers to contact the FDIC.

My testimony will describe the important role consumer complaints and inquiries play in the FDIC's compliance examination process and the way consumer complaints and inquiries are processed. I also will discuss current interagency efforts to improve coordination of complaints among the federal banking agencies and the proposed Financial Consumer Hotline Act of 2007.

## **The Importance of Consumer Complaints and Inquiries**

Consumer complaints and inquiries play an important role in the development of strong public and supervisory policy. Assessing and resolving these matters helps the FDIC:

- Identify trends or problems that may affect consumer rights;
- Understand the public perception of consumer protection issues;
- Formulate policy that aids consumers; and
- Foster confidence in the banking system by educating consumers about the protection that they receive under certain consumer protection laws and regulations.

Consumer complaints also play an important role in the FDIC's compliance examination function. The FDIC is responsible for enforcing compliance with federal consumer protection laws by the institutions it supervises. How a bank handles and responds to consumer complaints is a key component of a well-managed compliance program.

A review of consumer complaints is part of the FDIC's pre-examination process for every compliance examination we undertake. Complaints about particular practices indicate areas to target for review. Consumer complaints may signal management or structural deficiencies in financial institutions that are indicative of more systemic problems within an institution. For these reasons, every FDIC compliance examination of a financial institution includes a review of complaints against the institution and the resolution of those complaints.

The FDIC consumer contact process contributes to other aspects of the FDIC mission beyond consumer complaints. For example, following Hurricane Katrina, the FDIC Call Center handled thousands of inquiries from consumers seeking information about their banks and ways to access their bank accounts. We immediately established a 24-hour consumer hotline to answer questions about contacting financial institutions, including questions about accessing accounts, replacing lost records, obtaining replacement ATM cards and processing direct deposit payments. The FDIC also updated its website with information about financial institutions operating in the affected areas along with customer service and branch contact information. The FDIC consistently emphasized that deposit insurance remained in force, financial institution customers' money was safe, cash was available, and consumers should be vigilant about the potential for theft and scams. By serving as a clearinghouse for bank information, the FDIC assisted thousands of consumers.

The consumer contact process also is vital in the event of a bank failure. The FDIC provides a toll-free number and institution-specific information as a resource for customers of failed banks seeking information about the insured status of their deposits and any other issues that arise from the bank's failure. Depending on the size of the bank, the FDIC can receive thousands of inquiries in the days following a bank closing.

## **Complaint Resolution and Inquiry Response**

The FDIC receives consumer complaints and inquiries through several channels, including constituent referrals from congressional offices. Consumers can contact the FDIC through our website ([www.fdic.gov](http://www.fdic.gov)) as well as through our toll-free phone number (1-877-ASK FDIC), which is answered by our Call Center staff. Serving as the FDIC's primary telephone point of contact for general questions from the banking community and the public, the Call Center has received over 133,000 calls in 2007, exceeding the 111,000 received in 2006.

The Call Center reviews all routine questions about deposit insurance and other consumer issues and concerns, as well as questions about FDIC programs and activities. When the Call Center receives a consumer complaint about an FDIC-supervised institution or a consumer protection inquiry requiring subject matter expertise, the caller is connected to the FDIC's Consumer Response Center (CRC). The CRC, staffed by consumer affairs specialists, investigates each complaint with the financial institution involved. As part of the investigation of complaints, CRC staff informs consumers of their rights under federal consumer protection laws and regulations and reviews the bank's actions to assess its compliance with such rules. The CRC is part of the FDIC's consumer affairs program, which has been in place for over three decades.

The FDIC website also serves as a valuable resource for consumers with complaints or questions. For example, the FDIC's website features *Bank Find*, which

assists consumers in identifying the appropriate regulator of their financial institution. By entering the name of a bank, a consumer can immediately access information on the bank, including financial data, insured status and primary federal regulator. From *Bank Find*, consumers may choose to link directly to the websites of other financial institution regulatory agencies if the institution involved in their complaint is not supervised by the FDIC.

In addition, to *Bank Find*, the FDIC website offers an online complaint form that consumers may use to file a complaint or inquiry. The information consumers provide on this form helps the CRC begin an investigation, respond to an inquiry, or promptly refer the matter to the appropriate regulatory agency.

The FDIC has established standards for responding to consumer complaints and inquiries. We are able to respond right away to complaints and inquiries not requiring any research or legal consultation, but for those that do, our policy is a maximum of 15 days to respond. Where we have to gather information from the institution in question, our policy is a maximum of 60 days for response. Some consumer complaints, such as fair lending related complaints, may involve complex legal issues and on-site investigation, and may require a bit more time. As of September 30, the FDIC had responded to 94 percent of consumer complaints and 99 percent of consumer inquiries in 2007 within the established timeframes.

Approximately 52 percent of the 13,042 written complaints and inquiries received by the FDIC in 2007 to date related to institutions supervised by other federal and state regulators. When concerns are received about institutions for which the FDIC is not the primary federal regulator, the complaint is referred promptly and directly to the agency that is the primary regulator.

The tables below show the volume of complaints and inquiries regarding consumer protection that the CRC has received over the past five years, as well as information about the number of referrals to and from the other agencies. As the tables indicate, the FDIC receives a significant number of complaints and inquiries that are referred to other agencies. This is probably due to the fact that the FDIC insurance logo is visibly displayed in every federally insured financial institution and commonly recognized by the public. For 2007, the CRC responded to 8,664 written and verbal consumer complaints and inquiries.

	2003	2004	2005	2006	2007*
<b>Total Volume Written <i>Complaints</i></b>	8,028	8,779	8,915	9,665	9,735
Total Complaints Handled by FDIC	4,258	4,306	3,856	4,023	4,037
Total Complaints Referred Outside FDIC	3,770	4,473	5,059	5,642	5,698

	2003	2004	2005	2006	2007*
<b>Total Volume Written <i>Inquiries</i></b>	3,668	5,250	4,123	4,043	3,307
Total Inquiries Handled by FDIC	2,542	4,019	2,842	2,686	2,217
Total Inquiries Referred Outside FDIC	1,126	1,231	1,281	1,357	1,090

<b>Received Directly from Consumer or Referred from Other Agencies</b>					
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007*</b>
<b>Total Volume Written Complaints &amp; Inquiries</b>	11,696	14,029	13,038	13,708	13,042
Received from Consumer	10,494	12,612	11,809	12,272	11,431
Referred from Comptroller of the Currency	368	520	439	605	710
Referred from Federal Reserve Board	209	167	58	60	55
Referred from Federal Trade Commission	5	3	2	1	40
Referred from Housing and Urban Development	4	5	2	3	1
Referred from National Credit Union Administration	2	2	7	15	7
Referred from Office of Thrift Supervision	45	31	37	39	47
Referred from Others	350	482	394	437	491
Referred from State Banking Department	219	207	290	276	260

<b>Referrals by FDIC</b>					
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007*</b>
<b>Total Referred Outside FDIC</b>	4,896	5,704	6,340	6,999	6,788
Referred to Bank	966	650	317	294	268
Referred to Comptroller of the Currency	1,777	2,312	2,760	3,119	3,071
Referred to Credit Bureau	16	22	28	25	15
Referred to Federal Reserve Board	575	742	782	920	838
Referred to Federal Trade Commission	537	547	658	713	669
Referred to Housing and Urban Development	5	12	5	9	10
Referred to National Credit Union Administration	123	198	230	229	199
Referred to Office of Thrift Supervision	733	969	1,253	1,216	1,280
Referred to Others	94	141	169	225	175
Referred to Securities and Exchange Commission	5	28	29	27	20
Referred to State Banking Department	59	76	103	211	238
Referred to Treasury Department	6	7	6	11	5

\*Based on correspondence received through October 31, 2007

As mentioned earlier, the CRC responds to calls referred by the Call Center or received directly from consumers. The chart below shows the volume of calls received by the CRC and the number referred outside of FDIC for handling.

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007*</b>	<b>Total</b>
Total Volume Telephone Complaints and Inquiries	5,347	4,816	5,607	3,960	2,874	22,604
Total Handled by FDIC	4,381	3,827	4,769	3,192	2,410	18,579
Total Referred Outside FDIC	966	989	838	768	464	4,025

\* Data for 2007 is from January 1 - October 31.



## **Interagency Cooperation**

Effective interagency cooperation in the handling of consumer complaints and inquiries relieves the consumer of the burden of determining which regulator is appropriate to handle the consumer's particular problem. Because of the interagency cooperation in place, access to any regulator essentially provides the consumer with access to the correct regulator for the prompt handling of their complaint.

The FDIC works on an ongoing basis with our colleagues at the other federal and state banking agencies to improve and streamline the process for referring complaints between the agencies. Earlier this year, the FDIC worked with the other agencies to develop a consumer complaint form with common data fields. The common fields ensure that each agency is collecting the same data in the same format, which in turn increases the effectiveness of interagency complaint communications and referrals.

The FDIC also has long supported efforts to utilize secure electronic means to refer consumer correspondence and emails to the appropriate regulatory agencies. Consumer correspondence often necessarily contains confidential personally identifiable information such as account numbers and other financial information about the consumer. The implementation of secure e-mail between the federal agencies, which protects the privacy and confidentiality of the information being transmitted, now makes this process a feasible alternative to regular mail.

For the last several years, the federal financial regulatory agencies have met periodically to discuss issues of mutual interest, such as staff training needs and the exchange of complaint data to assist in the identification of trends and emerging issues. As a result of these meetings, the agencies have begun hosting, on a rotating basis at approximately 18 month intervals, joint consumer compliance training conferences for the agencies. These conferences supplement the ongoing training each agency provides its own staff. The FDIC sponsored the first interagency conference in April 2006, and the OCC hosted a second such conference in October 2007. The next conference is scheduled to be sponsored by the Federal Reserve in April 2009. Both the agencies' periodic meetings and the joint training conferences have proven to be an excellent opportunity for the agencies to discuss best practices and ways to enhance the complaint handling operations of their respective agencies, as well as the complaint referral process among the agencies.

Last week, the agencies that are members of the Federal Financial Institutions Examination Council (FFIEC)<sup>1</sup> initiated a process to explore the feasibility and technical requirements of additional improvements to the interagency referral process. Based on the recommendations of an FFIEC Working Group on Consumer Complaints established

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<sup>1</sup> The FFIEC is a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System, the FDIC, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision, and to make recommendations to promote uniformity in the supervision of financial institutions. In 2006, the State Liaison Committee (SLC) was added to the Council as a voting member. The SLC includes representatives from the Conference of State Bank Supervisors, the American Council of State Savings Supervisors, and the National Association of State Credit Union Supervisors.

in September, the FFIEC directed the Working Group to draft a Statement of Work to initiate a study to evaluate and recommend the best ways to enhance responsiveness to consumers, while leveraging the agencies' existing consumer assistance resources. The goal of the FFIEC is to ensure that future enhancements to the agencies' processes are both technically feasible and cost effective.

### **The Financial Consumer Hotline Act of 2007**

H.R. 4332, the Financial Consumer Hotline Act of 2007 would require the FFIEC agencies, coordinating through the Council, to establish a single toll-free number for consumer complaints and inquiries, as well as a system for routing calls to the primary federal and state supervisory agencies. In addition, within six months of enactment, the agencies would be required to report to Congress regarding their efforts to establish a public interagency website for routing Internet inquiries to the appropriate agencies, as well as an internal system for efficiently routing misdirected consumer complaint documents between agencies.

The FDIC supports the intent of the proposed legislation. The bill is consistent with the approaches that the FFIEC has committed to study, as previously discussed. Although conceptually simple, the creation of single toll-free numbers and websites for interagency activities can be technically challenging, which is why the FFIEC is moving deliberately to ensure that any improvements the agencies undertake actually can achieve efficiencies that will benefit consumers and are cost effective.

In addition, it is vital that any new information sharing system have sufficient controls to protect the privacy of consumers. As discussed above, complaint information sharing raises information security challenges. Any new system mandated by the bill must be designed to maintain strict security over sensitive consumer information which may be part of a complaint or inquiry.

The FDIC recommends that either the statutory language or legislative history reflect that the bill's requirement of a single toll-free number and interagency website are intended to supplement rather than replace existing systems. The FDIC consumer complaint system and database have provided effective assistance to consumers for many years, including referring complaints to the appropriate supervisory agency in a timely manner. It is difficult to see how consumers would benefit from the abandonment of this system. Further, many inquiries handled by the FDIC, such as deposit insurance questions and issues regarding bank failures, are unique to the Corporation and consumers with questions in these areas should be able to submit them directly to us without an additional layer of screening. It is important to ensure that no additional layers of bureaucracy slow the response time for responding to consumers.

## **Conclusion**

The FDIC supports the intent of the legislation to facilitate the efforts of consumers to contact the appropriate federal agency about a consumer complaint or

inquiry involving a supervised institution. The agencies, through the FFIEC, are already in the process of studying the issues and initiatives raised by the legislation. Much work, however, still needs to be done to gather the necessary information to determine the benefits, feasibility and security of these proposed initiatives. In the meantime, the FDIC is committed to continue to investigate or refer, as appropriate, consumer complaints and to do so in a timely and thorough manner.

This concludes my testimony. I would be happy to address any questions the Subcommittee might have.